



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

July 20, 2006

In reply refer to: DK-7

To: Our Customers and Interested Parties

I want to inform you of a decision I have made for the Bonneville Power Administration (BPA) to sign an agreement to provide a share of funding for the next phase of ColumbiaGrid's development. Six other utilities supporting ColumbiaGrid have also signed or soon will sign this agreement. BPA's funding share is \$2.4 million (or 48 percent) over two years.

This decision was made because we continue to support the vision of one-utility-like coordinated planning and operation of regional transmission. We also believe it would be a waste not to build on the enormous body of work that has gone into this vision over the last several years. Right now, ColumbiaGrid is the best opportunity for moving forward.

We are supporting development of ColumbiaGrid because we believe in its three priorities:

- To provide a united regional approach to capacity planning and expansion.
- To protect and enhance regional reliability into the future.
- To promote more efficient use of regional transmission.

Thus far, we have been pleased with the progress ColumbiaGrid has made since its inception earlier this year. This has included adopting bylaws that provide for a governing board whose three members will be independent of market interests and control.

BPA's signature on the funding agreement will support the seating of that board, the hiring of key staff and two years of initial activity. It does not represent a BPA decision to enter into any of the proposed functional agreements which will specify the scope of ColumbiaGrid's responsibilities, but it does signal our support for ColumbiaGrid to move into a new phase. That phase will include developing functional agreements in transmission planning and expansion and reliability improvements. This will be followed by agreements to operate a common OASIS, a common flow-based methodology for determining available transmission capacity, and market monitoring. As these functional agreements are completed, BPA will decide whether to sign each of these functional agreements based on a consideration of each agreement's costs, benefits and other factors.

In the next few months, BPA will conduct a National Environmental Policy Act process for our potential participation in ColumbiaGrid and will provide an opportunity for public comment on potential environmental impacts. BPA plans to complete this process prior to making a decision this fall on whether to enter into the first functional agreement offered by ColumbiaGrid.

I urge you to participate in the important work ColumbiaGrid is doing and to provide input into how it can better serve the region's needs. BPA is just one of several participants. The other utilities include Avista Corporation, Chelan County Public Utility District, Grant County Public Utility District, Puget Sound Energy, Seattle City Light and Tacoma Power. All members of ColumbiaGrid are interested in expanding membership to all Northwest control area operators.

Clearly, greater participation will mean a stronger organization and a better chance of moving forward on the important regional priorities highlighted above. Through your participation, you can help shape ColumbiaGrid's regional role and the scope of its activities. I am a strong believer that by working together we have the greatest chance of ensuring a successful energy future for the Pacific Northwest.

More information on ColumbiaGrid is available at its Web site at <http://www.columbiagrid.org>.

Sincerely,

/s/ Stephen J. Wright

Stephen J. Wright  
Administrator and Chief Executive Officer